

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name FAIR GROVE DISTRICT LIBRARY	County TUSCOLA
Fiscal Year End 3-31-06	Opinion Date 6-29-06	Date Audit Report Submitted to State 8-31-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

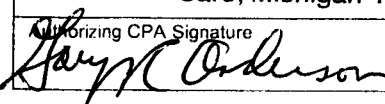
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.		Telephone Number 989-673-3137	
Street Address 715 East Frank St. Caro, Michigan 48723-1623		City	State Zip
Authorizing CPA Signature 	Printed Name GARY R. ANDERSON		License Number 1101005776

FAIRGROVE DISTRICT LIBRARY

Fairgrove, Michigan

Report on Financial Statements

March 31, 2006

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



June 29, 2006

Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Fairgrove District Library
Fairgrove, MI 48733

Dear Board Members:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Fairgrove District Library as of and for the year ended March 31, 2006, which collectively comprise the Library's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Fairgrove District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in the financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Fairgrove District Library's governmental activities are not reasonably determinable.

As discussed in Note 3, the general-purpose financial statements referred to above do not include the General Fixed Assets Group of Accounts, which should be included to conform with U.S. generally accepted accounting principles. The amount that should be recorded in the General Fixed Assets Group of Accounts is not known.

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Fairgrove District Library as of March 31, 2006 and 2005, or changes in its financial position or cash flows where applicable, for the year then ended.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental financial information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of Fairgrove District Library. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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GENERAL PURPOSE FINANCIAL STATEMENTS

FAIRGROVE DISTRICT LIBRARY
Balance Sheet - All Governmental Fund Types

	March 31,	
	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and savings deposits	\$ 77,461	\$ 84,043
Taxes receivable	4,573	2,965
State aid receivable	<u>-</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 82,034</u>	<u>\$ 87,008</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Fund Balance:		
Designated	\$ 1,283	\$ 15,405
Undesignated	<u>80,751</u>	<u>71,603</u>
Total Fund Balance	<u>82,034</u>	<u>87,008</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 82,034</u>	<u>\$ 87,008</u>

The accompanying notes are an integral part of the financial statements.

FAIRGROVE DISTRICT LIBRARY
Statement of Revenue, Expenditures, and Changes in
Fund Balance - All Governmental Fund Types

	March 31,	
	<u>2006</u>	<u>2005</u>
REVENUES:		
State Aid	\$ 1,478	\$ 2,962
Taxes	75,383	45,751
Services	1,002	1,029
Fines	27,530	34,392
Miscellaneous	<u>14,689</u>	<u>11,282</u>
TOTAL REVENUES	<u>120,082</u>	<u>95,416</u>
EXPENDITURES:		
Salaries and employee benefits	51,538	49,374
Library materials	14,389	14,013
Operational	20,264	22,189
Legal and accounting	775	750
Memorial and donation expenses	0	1,908
Miscellaneous	987	1,993
Capital outlay	<u>37,103</u>	<u>-</u>
TOTAL EXPENDITURES	<u>125,056</u>	<u>90,227</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(4,974)	5,189
FUND BALANCE - APRIL 1	<u>87,008</u>	<u>81,819</u>
FUND BALANCE - MARCH 31	<u><u>\$ 82,034</u></u>	<u><u>\$ 87,008</u></u>

The accompanying notes are an integral part of the financial statements.

FAIRGROVE DISTRICT LIBRARY
Statement of Revenue, Expenditures, and Changes in
Fund Balance - Budget and Actual - General Fund
For the Year Ended March 31, 2006

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:			
State aid	\$ 2,800	\$ 1,478	\$ (1,322)
Taxes	46,359	75,383	29,024
Services	1,150	1,002	(148)
Fines	30,500	27,530	(2,970)
Miscellaneous	10,000	14,689	4,689
TOTAL REVENUES	90,809	120,082	29,273
EXPENDITURES:			
Salaries and employee benefits	57,254	51,538	5,716
Library materials	15,800	14,389	1,411
Operational	17,330	20,264	(2,934)
Legal and accounting	775	775	-
Memorial and donation expenses	-	-	-
Miscellaneous	1,100	987	113
Capital outlay	37,067	37,103	(36)
TOTAL EXPENDITURES	129,326	125,056	4,270
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(38,517)	(4,974)	33,543
FUND BALANCE - APRIL 1	87,008	87,008	-
FUND BALANCE - MARCH 31	\$ 48,491	\$ 82,034	\$ 33,543

The accompanying notes are an integral part of the financial statements.

FAIRGROVE DISTRICT LIBRARY
Notes To The Financial Statements
For The Years Ended March 31, 2006 And 2005

NOTE 1 - DESCRIPTION OF DISTRICT LIBRARY OPERATIONS:

The Fairgrove District Library (Library) was organized under Public Act 24 of 1989 on July 1, 1999. Previously, the Library was a special revenue fund of the Township of Fairgrove. The Library is governed by an appointed board from two service areas: the Township of Fairgrove, which appoints two members, and the Akron-Fairgrove Schools, which appoints three members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING:

The Library maintains its accounting records and prepares its financial statements on the modified accrual basis of accounting. Under this basis, revenues are recognized when taxes are assessed and available, grant requirements are met, contributions are pledged or when revenue is otherwise earned. Expenses are recognized when the related liability is incurred.

BUDGET AND BUDGETARY ACCOUNTING:

Generally accepted accounting principles require a comparison of actual and budgeted revenue and expenditures.

Budgeted amounts are as originally adopted, or as amended by the Library board at various times during the fiscal year.

BASIS OF PRESENTATION:

The financial activities of the Library are recorded in separate funds and account groups, categorized and described as follows:

GOVERNMENTAL FUNDS:

General Fund - The General Fund is the general operating fund of the Library. It is used to account for all financial resources.

TAXES RECEIVABLE:

Taxes receivable consists of delinquent property taxes due to the Library from various townships in Tuscola County.

ACCOUNTING ESTIMATES:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE 3 – FUNDS OMITTED:

The Library has not maintained a record of its general fixed assets, and accordingly, a statement of general fixed assets has not been included in this report.

FAIRGROVE DISTRICT LIBRARY
Notes To The Financial Statements
For The Years Ended March 31, 2006 And 2005

NOTE 4 – CASH AND EQUIVALENTS:

Deposits are carried at cost. Deposits of Fairgrove District Library are at a bank in the name of Fairgrove District Library.

The Governmental Accounting Standards Board Statements No. 3 risk disclosures for the General Fund cash deposits are as follows:

GENERAL FUND CARRYING AMOUNT

	March 31,	
	<u>2006</u>	<u>2005</u>
Cash	<u>\$77,461</u>	<u>\$84,043</u>

At year-end, the carrying amount of the Library's deposits was \$77,461 and the bank balances was \$79,557, all of which was covered by federal depository insurance. Additional disclosures required by GASB 40 are not included in the accompanying financial statements.

NOTE 5 – BUILDING LEASE:

The Library has entered into a five-year lease agreement, through March 31, 2010, with the Township of Fairgrove for a portion of one of its buildings for an annual rate of \$1. The Library is responsible for two-thirds of the maintenance and insurance costs.

NOTE 6 – RISK MANAGEMENT:

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Library carries commercial insurance to cover any losses that may result from the above-described activities.

NOTE 7 – PENSION PLAN:

The Library has no pension plan.

NOTE 8 – FUND BALANCE - RESTRICTED:

On June 19, 2002, the board approved opening a separate savings account for donation and memorial money. This money is to be used for purchasing capital improvements. As of March 31, 2006 the designated fund balance was \$1,283.

NOTE 9 – GASB 34:

The Fairgrove District Library chose not to adopt GASB 34, which is required by Generally Accepted Accounting Principles (GAAP).

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



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June 29, 2006

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To the Board of Directors
Fairgrove District Library
Fairgrove, MI 48733

In planning and performing our audit of the financial statements of Fairgrove District Library for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated June 29, 2006, on the financial statements of Fairgrove District Library.

Payroll Reporting Procedures

During the year, the Library paid some employees for extra time worked with the remodeling project. Any payments to employees should be run through payroll and the applicable payroll taxes should be withheld.

In the event that the Library pays more than \$600 to an individual during the calendar year, the Library is required to issue that subcontractor a 1099-MISC for non-employee compensation. Therefore, we recommend that the Library review payments to its subcontractors for the year and issue 1099's if applicable.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various library personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Fairgrove District Library, management and others within the administration and is not intended to be and should not be used by anyone other than these specified parties

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Sincerely,

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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